



OFFICE OF
INSURANCE COMMISSIONER

In The Matter Of:

CONTRACTORS BONDING AND
INSURANCE COMPANY

No. D06-3

CONSENT ORDER LEVYING A FINE

An Authorized Insurer.

To: Contractors Bonding and Insurance Company
1213 Valley St.
Seattle, WA 98109

Comes Now the Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080 and RCW 48.05.185, and having reviewed the official records and files of the Office of the Insurance Commissioner, makes the following:

FINDINGS OF FACT:

1. Contractors Bonding and Insurance Company (“CBIC”) is an authorized insurer writing property, casualty, vehicle, surety and inland marine insurance in Washington.
2. The Office of the Insurance Commissioner (OIC) conducted a market conduct examination of CBIC covering the time period between January 1, 2003, and December 31, 2003.
3. The market conduct examination of CBIC was adopted by the Insurance Commissioner by Order Adopting Report of Market Conduct Examination, Order No. G-05-5, entered February 8, 2005, which Order is final.
4. OIC’s examiners found 23 policies, forms, or claims correspondence which did not identify the insuring company or which did so using only the company logo or initials.
5. OIC’s examiners found 30 CBIC bonds written by one agency during a lapse in the agency’s appointment with CBIC.
6. Between March 2002 and September 2003, CBIC rated approximately 9000 contractor policies with a flat \$150 rate for a blanket additional insured endorsement. Prior to this time, the Company had issued such endorsements at no additional charge. Although the Company had filed a “refer to company” or “a” rate rule in its underwriting manual for such

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endorsements, it failed to individually underwrite, document, or rate these policy endorsements based on the individual risk.

7. Of 150 canceled or non-renewed policies reviewed, 21 notices did not adequately explain the reason for the company's action and 4 notices listed as the reason for cancellation or non-renewal that the agent no longer represented the Company.
8. In 6 out of 100 claim files reviewed, the Company did not provide information to show under which coverage a payment was made.

Based upon the foregoing Findings of Fact, the Commissioner makes the following:

CONCLUSIONS OF LAW

1. RCW 48.05.185 authorizes the Insurance Commissioner to impose a fine in lieu of the suspension or revocation of a company's license.
2. CBIC committed the following violations of Washington law:
 - a. By using policies, forms, and claims correspondence which identified the Company only by its logo or initials, the Company did not conduct business in its own legal name in violation of RCW 48.05.190(1).
 - b. The Company's issuance of 30 bonds written by an unappointed agency violated RCW 48.17.160(1) and (2).
 - c. By failing to individually underwrite, document, and rate additional insured endorsements on approximately 9,000 contractor policies, the Company violated WAC 284-24-070.
 - d. By failing to adequately explain the reason for the company's action or by listing the fact the agent was no longer appointed by the Company in 25 non-renewals and cancellations, the Company violated WAC 284-30-570.
 - e. The Company's failure in 6 instances to state under which coverage claim payments were made violated WAC 284-30-330(9).

CONSENT TO ORDER

NOW, THEREFORE, CBIC consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to settle the matter in consideration of CBIC's payment of a fine and such other terms and conditions as are set forth below:

1. CBIC, consents to the entry of the foregoing Findings of Fact and Conclusions of Law and this Order and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of the Order;

2. Within thirty days of the entry of this Order, CBIC agrees to pay to the OIC a fine in the amount of \$40,000, of which \$20,000 is suspended for a period of two years on condition that:

1. CBIC pays \$20,000 of the fine for its violations of Washington insurance law within thirty days of the entry of this Order.
2. CBIC commits no further violations of the statutes and regulations that are the subject of this Consent Order for a period of two years from the date on which this Order is entered.

EXECUTED and AGREED this 26th day of January, 2006.

EXECUTED this _____ day of _____, 2006.

CONTRACTORS BONDING AND INSURANCE
COMPANY.

By: 

Typed Name: Donald Sirkew

Typed Corporate Title: CEO

ORDER OF THE INSURANCE COMMISSIONER

NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of \$40,000 upon Contractors Bonding and Insurance Company, and suspends \$20,000 under the Conditions set forth in the Consent to Order section of this Consent Order.
2. \$20,000 of the fine must be paid in full within thirty days of the date of entry of this order. Failure to pay this portion of the fine and to comply with the stated Conditions shall constitute grounds for revocation of CBIC's certificate of authority and for recovery of the full fine, including the suspended portion, and in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this 5th day of February, 2006.

MIKE KREIDLER,
Insurance Commissioner

By: Charles D. Brown
Charles D. Brown
Staff Attorney
Legal Affairs Division